

Regulation of Commerce

Mission

To protect Indiana consumers through regulation and supervision of Commerce.

Summary of Activities

The Securities Division of the **Office of the Secretary of State** oversees Indiana's securities industry. The division is charged with protecting Hoosier investors by bringing enforcement actions against companies and individuals selling securities in violation of Indiana's securities laws, and by educating Hoosiers about prudent investing. The division also regulates mortgage and loan brokers, and administers Indiana's franchise laws. Investor education information is available on the Internet at <http://www.in.gov/sos/securities/investor.html>.

The **Department of Financial Institutions (DFI)** regulates and supervises state chartered financial institutions to assure Indiana residents adequate and proper financial services; to protect the interest of depositors, borrowers, shareholders, and consumers; and to promote the safety and soundness of Indiana financial institutions.

The DFI Depository Division regulates and supervises 129 state chartered banks, 52 state-chartered credit unions, and six savings and loan associations. The total assets of these institutions at the end of 2002 totaled \$49 billion. A staff of 44 examiners performs both on-site and remote examinations in conjunction with federal regulators through cooperative alternating examination agreements.

The Non-Depository Division regulates and examines 306 licensed lenders with 578 branches, 79 pawn brokers with 57 branches, 67 rent-to-own companies with 293 branches, 53 check cashers with 194 branches, 27 money transmitters, and four budget service companies. A staff of 13 examiners ensures that these lenders follow the provisions of the Uniform Consumer Credit Code (UCCC), six other statutes, and regulations regarding disclosure, rates, collections, repayments, and delinquencies. This division also provides consumer-related educational materials on consumer laws, regulations, and policy. Consumer credit educational materials may be found on the agency Web site at <http://www.in.gov/dfi/education>.

The **Department of Insurance (DOI)** protects Indiana's insurance consumers by monitoring and regulating the financial and market conduct activities of insurance companies and agents. This work is carried out through the Agent Licensing Division, Consumer Protection Unit, and the Financial Services Unit. With a staff of 80, the DOI administers a variety of programs that serve Indiana's insurance consumers, insurance companies (including HMOs, TPAs, and provider networks), insurance agents, and other interested parties.

External Factors

Indiana's financial institutions have, for the most part, successfully weathered the challenging economic times during the past few years. DFI examiners have encountered some deterioration in the loan portfolios of supervised institutions, but the vast majority of state-chartered financial institutions have maintained strong earnings and capital positions. DFI examiners and management continue to work closely with those relatively few institutions that have been negatively affected by the economic downturn. The DFI will continue to closely monitor credit quality, and seek to ensure adequate and timely efforts by institution management to remedy any identified weaknesses.

Indiana's financial institutions are facing the challenge of increased competition from many fronts. In an effort to maintain favorable earnings in this highly competitive environment, depository institutions are continually evaluating new product offerings designed to boost non-interest income. The DFI will continue to proactively consider additional opportunities while ensuring both safe and sound operations, and consumer protection issues.



Todd Rokita
Secretary of State

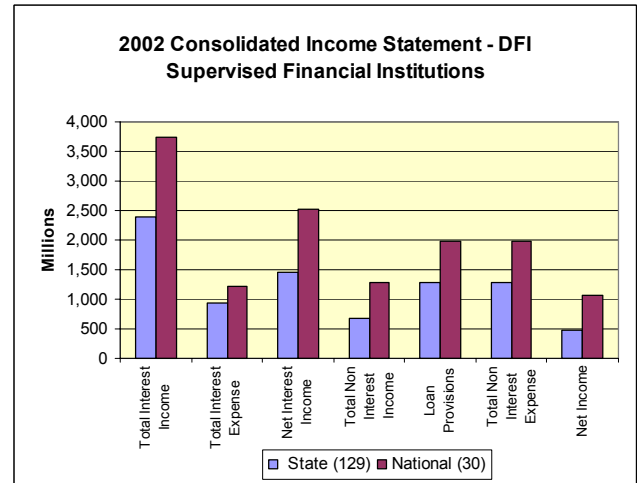
The increased availability of technology in the financial industry presents new and different challenges for regulation. Internet banking in particular represents a source of both great opportunity and significant regulatory concern. The DFI will continue to require that institutions undertake such initiatives only after adequate security and operational procedures are in place.

Evaluation and Accomplishments

Over the last six years, the securities division of the Office of the Secretary of State has imposed a record number of fines and penalties against scam artists preying on unsuspecting Hoosier investors.

The Indiana financial institutions industry remains strong. The DFI constantly strives to provide more effective and less intrusive regulatory services through a risk-focused examination process. Consumer credit examinations by the DFI continue to identify credit insurance, finance charges, and other overcharges to credit customers. These examination findings have resulted in refunds to consumers of \$1,081,729.00, \$2,114,450, and \$1,521,720 over the past three years.

During the past biennium, the Indiana Department of Insurance has focused on addressing consumer abuses generated by an economic downturn and the resulting “hardening” of insurance markets. Those efforts resulted in the passage of a regulation requiring substantial changes to credit insurance rating schemes; the mandated filing of all credit scoring methodologies used in rating Indiana auto and homeowners’ policies; the takeover and liquidation of two unauthorized health insurance plans; and the successful petitioning to Marion Circuit Court for cease and desist orders against two additional unauthorized health plans. During the same period, the Department recovered more than 11 million dollars for Indiana insurance consumers through its complaint adjudication process.

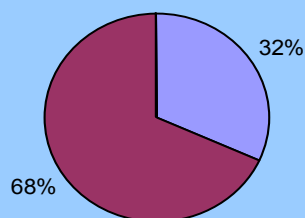


Program: 1005

	Actual FY 2001	Actual FY 2002	Estimate FY 2003	Appropriation FY 2004	Appropriation FY 2005
(All Funds)	\$15,223,011	\$13,862,083	\$16,552,019	\$16,913,067	\$16,973,067

Sources of Funds FY 2004 (Approp)

□ General ■ Dedicated □ Federal □ Other



Uses of Funds FY 2004 (Approp)

□ Personal Services ■ Distributions □ Capital □ Other

